ArborOne
FARM CREDIT

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June 20, 2014

Mr. Barry F. Mardock, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

RE: Standards of Conduct – Proposed Rule

Dear Mr. Mardock:

Thank you for the opportunity to submit comments to the Farm Credit Administration (FCA) on proposed amendments to the regulations on Standards of Conduct (SOC or Proposed Regulations). ArborOne (Association) supports the comments of the Farm Credit Council and AgFirst regarding the Proposed Regulations both of which address many important concerns that are not addressed in this letter. ArborOne certainly continues to maintain high standards of honesty, integrity, impartiality and conduct; however, we are concerned that many of the Proposed Regulations are administratively burdensome, difficult to enforce and/or implement and ultimately will prove far too costly to stockholders, all while not attaining the Agency's intended results.

Because of our cooperative structure, our elected directors are Association borrowers who are farmers. These farmer/directors are leaders in the agricultural and/or rural communities in which they live and we serve. The very nature of this cooperative structure, as well as our small geographical footprint, leads to the fact that many of these directors have established long-term business relationships in the ordinary course of business with those in the agricultural sector who may transact business with our association. Any regulations that impose undue burdens on these business relationships limit the attractiveness of serving as a director and therefore, in the long run, potentially limit the effectiveness of our institutions and the very cooperative principles upon which we operate. We believe that the Proposed Regulations should clarify that prior SOCO approval is only required on transactions (a) involving parties that the director knows or has reason to know are borrowers or otherwise transact business with the related System institution and (b) are in excess of the de minimis and materiality standards set by the board. Without such a limitation, the directors would be subjected to burdensome reporting and approval requirements which may unreasonably delay ordinary course business operations and ultimately dissuade qualified director candidates from serving on System boards.

While the Association endeavors to engage quality "agents" with high ethical standards, it is not commercially reasonable to expect that we will be able to enforce and track the activities of many who may be deemed an agent by the Proposed Regulations. The likely result of the Proposed Regulations, as with Association directors, will be fewer entities willing to provide services to our Association to our own detriment. We believe that the Proposed Regulations should be modified to allow System institutions to adopt reasonable policies to address the oversight of agents based upon and in keeping with the circumstances of the related engagement as approved by the board of directors and reviewed by the FCA as a part of its normal examination process. In addition, the Proposed Regulations generally restrict agents from acquiring property that was owned by the related System institution as a result of foreclosure during the agent's employment for one year. The potential administrative burden of tracking all title changes of acquired property even after it has been sold by a System institution is unreasonable. We believe that the restriction in the Proposed Regulations should be narrowly tailored to cover direct sales between System institutions and agents who are directly involved in such disposition (such as appraisers of the related property or the related closing attorney).

The Proposed Regulations substantially increase the scope of responsibility for each SOCO that we believe is not equal with the potential increased benefit. Given the number of potential agents who would be required to make disclosures, the breadth of additional prior disclosures by employees and directors and the amount of related diligence and tracking that would be required to make SOCO determinations under the Proposed Regulations, ArborOne would need additional resources in order to comply. We believe that the Proposed Regulations will have a negative economic impact on our Association as we will have to devote economic and human resources to handle the new responsibilities. An increase in expenses for ArborOne impacts its ability to deploy capital to the communities that it serves. We ask that the FCA consider the comments on the economic impact of the Proposed Regulations and make appropriate revisions.

In conclusion, the maintenance of public confidence in the Farm Credit System requires that each System institution adhere to high standards of conduct, and it is a priority of ArborOne, its directors and employees that we live up to such standards. Yet, the Proposed Regulations impose significant administrative burdens that in many cases do not advance this goal but instead potentially limit the pool of directors who may be willing to bring their expertise to the boards of System institutions and reduce the pool of professional services providers who may be willing to transact business with us while increasing our costs to oversee a SOC program thus rendering less available resources to provide the services that the System was created to address. We respectfully ask that the FCA consider our comments and those of other System institutions to revise the Proposed Regulations and reduce the unnecessary administrative burdens and clarify the responsibilities so that we are not hindered in the advancement of the mission of the Farm Credit System to provide financing to our rural and agricultural communities.

Respectfully submitted,

ArborOne Farm Credit

James M Ward

James M. Ward
Chairman of the Board of Directors

Kathy S. Heustess

Kathy S. Heustess
Chief Executive Officer & President